

LUKAS, MCGOWAN, NACE & GUTIERREZ

CHARTERED
1111 NINETEENTH STREET, N.W.
SUITE 1200
WASHINGTON, D.C. 20036
(202) 857-3500

RUSSELL D. LUKAS
GERALD S. MCGOWAN
DAVID L. NACE
THOMAS GUTIERREZ
ELIZABETH R. SACHS
GEORGE L. LYON, JR.
PAMELA L. GIST
DAVID A. LAFURIA
TERRY J. ROMINE
MARCI E. GREENSTEIN⁺
MARJORIE GILLER SPIVAK
J. JUSTIN MCCLURE⁺
MARILYN SUCHECKI MENSE
PAMELA GAARY HOLRAN
B. LYNN F. RATNAVALE
⁺ NOT ADMITTED IN D.C.

CONSULTING ENGINEERS
THOMAS G. ADCOCK, P.E.
MEHRAN NAZARI
ALI KUZEHKANANI
SHAHRAM HOJATI, D.SC.
LEROY A. ADAM
LEILA REZANAVAZ
FARID SEYEDVOSOGHI

OF COUNSEL
JOHN J. MCAVOY
J.K. HAGE III⁺

TELECOPIER
(202) 842-4485

Email: lmng@fccclaw.com
<http://www.fccclaw.com>

WRITER'S DIRECT DIAL

October 9, 1996

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VIA HAND DELIVERY

William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

**Re: Ex Parte Presentation by Preferred Networks In Connection
with WT Docket No. 96-18, Revision of Part 22 and Part 90
of the Commission's Rules to Facilitate Future Development
of Paging Systems and PP Docket No. 93-253, Implementation
of Section 309(j) of the Communications Act -- Competitive Bidding**

Dear Mr. Caton:

This letter submitted in duplicate is to provide notice that Preferred Networks, Inc. ("PNI") made an oral ex parte presentation to Commission personnel in the above-referenced rule making proceeding. Eugene Kreeft of PNI and Elizabeth R. Sachs, counsel to Preferred Networks, Inc., met with the following Commission staff: David Furth, Chief, Commercial Wireless Division, Wireless Telecommunications Bureau, and members of his staff; Jackie Chorney, Legal Advisor to Chairman Hundt; and Suzanne Toller, Legal Advisor to Commissioner Chong.

The presentation focused on suggestions for Commission action in connection with the so-called Private Carrier Paging ("PCP") frequencies which are licensed on a shared basis. PNI has a substantial investment in its paging infrastructure on the shared PCP frequency 157.74 MHz. It is concerned that its existing investment, as well as future growth and development, could be impaired if the Commission were to rescind its "freeze" order for new applications on the frequency and not modify any of the existing rules pertaining to the licensing and operation of such frequency. Similarly, PNI noted that its level of interest in auctions the FCC might hold should it adopt overlay exclusivity provisions and geographic licensing for heretofore shared PCP channels would be impacted directly by what sharing requirements are imposed on co-channel incumbents.

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PNI reiterated the position it took in its comments and reply comments in WT Docket No. 96-18, i.e., that the Commission must implement mandatory sharing requirements if it retains the shared status of the PCP channels. Having operated in a shared environment throughout its existence, PNI has found that most "legitimate" paging operators are willing to enter into sharing arrangements with co-channel licensees such as PNI because it benefits that operations of all parties. On the other hand, persons which have "speculated" in the band because of alleged inherent value of the spectrum have no incentive to enter into such arrangements as they receive financial benefits by not cooperating. PNI is concerned that if the Commission rescinds the suspension of application acceptance and does not modify the licensing rules for the band, there will be an influx of applications from entities which have no interest in establishing a paging business. Unless the Commission mandates some type of sharing arrangements, those parties will have an incentive to construct very low-cost and spectrally inefficient paging stations, the primary purpose of which would be to disrupt legitimate operations in the hopes of being compensated for surrendering their authorizations.


PNI also suggested that entities, such as itself, contemplating participating in spectrum auctions if the FCC adopts exclusivity and geographic licensing provisions for shared PCP frequencies would base that decision on the "bundle or rights" they would acquire if successful. Unless those rights include a requirement that all incumbents participate in mandatory, industry-accepted sharing arrangements, the value of securing such a license would be significantly diminished.

Alternatively, PNI suggested that the Commission require a performance bond at the time a license is granted to ensure timely and proper construction of newly-licensed facilities. For operators with larger operations, PNI recommended a fixed bond for multiple facilities.

Kindly contact the undersigned, should there be any questions or need for any additional information regarding PNI's presentation.

Respectfully submitted,

Preferred Networks, Inc.

By: 
Elizabeth R. Sachs
Its Attorney

cc: Jackie Chorney
Suzanne Toller
David Furth